

House File 596

H-1280

1 Amend House File 596 as follows:
2 1. By striking everything after the enacting clause
3 and inserting:
4 <Section 1. NEW SECTION. 15E.25 Definitions.
5 As used in this division:
6 1. "*Business company*" means any of the following:
7 a. A limited liability company that is formed and
8 operates under chapter 489.
9 b. A business corporation that is formed and
10 operates under chapter 490.
11 2. "*Local community*" means a city having a
12 population of two thousand or less according to the
13 certified federal census and an area which is within
14 ten miles from the corporate limits of such city, so
15 long as the area is not located within another city.
16 3. "*Local development corporation*" means a nonprofit
17 corporation organized under chapter 504 or another
18 corporation which qualifies under 26 U.S.C. § 501(c)(3)
19 as an organization exempt from taxation, if all of the
20 following apply:
21 a. The exclusive purpose of the corporation is to
22 promote economic development initiatives in a local
23 community.
24 b. The principal office of the corporation is
25 located in the same local community as provided in
26 paragraph "a".
27 c. The corporation has a minimum of twenty-five
28 members with at least seventy-five percent of its
29 directors and officers residing or doing business in
30 the same local community as provided in paragraph "a".
31 Sec. 2. NEW SECTION. 15E.26 Qualified business
32 company.
33 A business company is a qualified business company
34 for purposes of this division as long as it complies
35 with the following requirements:
36 1. The business company must be formed pursuant to
37 a resolution adopted by the board of directors of the
38 local development corporation. The board must appoint
39 one or more individuals to serve as the following, as
40 applicable:
41 a. An organizer of the limited liability company if
42 the business company is a limited liability company.
43 b. An incorporator of the business corporation if
44 the business company is a business corporation.
45 2. The ownership of the business company is
46 restricted as follows:
47 a. For a limited liability company, all of the
48 following apply:
49 (1) At least eighty percent of all outstanding
50 membership interests in the limited liability company

1 must be held by individuals who reside in the local
2 community.

3 (2) The limited liability company is not formed and
4 does not operate under chapter 489, article 12.

5 (3) (a) Seventy-five percent of all members must
6 reside in the local community if the limited liability
7 company is member-managed.

8 (b) Seventy-five percent of all managers must
9 reside in the local community if the limited liability
10 company is manager-managed.

11 b. For a business corporation, all of the following
12 apply:

13 (1) At least eighty percent of all outstanding
14 shares in the business corporation must be held by
15 individuals who reside in the local community.

16 (2) The business corporation only issues common
17 shares. The business corporation shall not issue
18 multiple classes of shares or multiple series of shares
19 within a class.

20 (3) Seventy-five percent of all directors and
21 seventy-five percent of all officers must reside in the
22 local community.

23 3. The business company does not receive more than
24 a total of two hundred fifty thousand dollars from any
25 of the following:

26 a. Contributions made by individuals when they
27 agree to become initial members of the limited
28 liability company.

29 b. Payments made by individuals for shares when the
30 business corporation initially issues shares.

31 4. The business company's principal place of
32 business is located in the local community.

33 5. The certificate of organization of a limited
34 liability company or the articles of incorporation of a
35 business corporation, as applicable, must include all
36 of the following restrictions:

37 a. For a limited liability company:

38 (1) A membership interest cannot be transferred to
39 another individual who does not reside in the local
40 community without the written consent of the members or
41 managers of the limited liability company.

42 (2) The limited liability company may purchase or
43 acquire a member's interest from an individual who no
44 longer resides in the local community.

45 b. For a business corporation:

46 (1) Shares cannot be transferred to another
47 individual who does not reside in the local community
48 without the written consent of the board of directors
49 of the business corporation.

50 (2) The business corporation may purchase or

1 acquire shares from an individual who no longer resides
2 in the local community.

3 Sec. 3. NEW SECTION. 15E.27 Exemptions for certain
4 security laws.

5 The securities of a qualified business company,
6 as provided in section 15E.26, are exempt from the
7 requirements of chapter 502, to the extent provided in
8 section 502.201.

9 Sec. 4. Section 502.201, Code 2011, is amended by
10 adding the following new subsection:

11 NEW SUBSECTION. 9F. *Qualified business*
12 *company.* Any security issued by a qualified business
13 company, as provided in section 15E.26, which meets the
14 requirements of chapter 15E, division IV.>

15 2. Title page, by striking lines 1 and 2 and
16 inserting <An Act exempting business entities located
17 in small cities or adjacent to small cities, and formed
18 by local development corporations, from certain>

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